GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:939
ANSWERED ON:29.04.2016
ECB Norms
Maragatham Smt. K.

Will the Minister of FINANCE be pleased to state:

QUESTION
939: SHRIMATI K. MARAGATHAM
Will the Minister of FINANCE be pleased to state:
(a) whether the Government has asked the RBI to reconsider its External Commercial Borrowing (ECB) norms to allow foreign currency debt to infrastructure for medium term also and if so, the details thereof;
(b) whether in the event of the ECB being allowed under medium term, the Government expects good investments in infrastructure proejcts; and
(c) if so, the details thereof?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE
(SHRI JAYANT SINHA)
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(a) to (c): Taking into consideration the prevailing external funding sources, particularly for long term lending and the critical needs of infrastructure sector of the country, Government of India with the objective to promote investments in infrastructure projects, has reviewed the extant ECB guidelines in consultation with the Reserve Bank of India in March 2016. It has been decided to allow companies in infrastructure sector, Non-Banking Financial Companies-Infrastructure Finance Companies (NBFC-IFCs), NBFCs-Asset Finance Companies (NBFC-AFCs), Holding Companies and Core Investment Companies (CICs) to raise foreign currency denominated External Commercial Borrowings (ECB) with minimum average maturity period of 5 years subject to 100 per cent hedging.
Companies in infrastructure sector have been permitted to utilize the proceeds of ECB so raised for capital expenditure purposes. It is expected that lowering of minimum average maturity period from 10 to 5 years would lead to increased flow of ECBs into India's infrastructure sector and also enable concessional financing from export credit agencies and developmental financial institutions to flow into this sector.
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